

Executive Decision Report

Loan to Leicester Community Sports Arena Ltd

Decision to be taken by: City Mayor

Decision taken on: 2 November 2022

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

- Ward(s) affected: Abbey
- Report author: Amy Oliver
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- Report version number: 1.0

1. Summary

1.1. Leicester Community Sports Arena Ltd. has requested a loan of £1.5m to facilitate further development of the arena. The City Mayor is asked to consider this request.

2. Recommendations

The City Mayor is asked to:

- 2.1. Consider authorising a loan of £1.5m to the Leicester Community Sports Arena Ltd at an interest rate of 5% p.a;
- 2.2. If authorised, charge the company £20,000 for our legal costs (to be added to the loan) and add the total £1.52m cost to the capital programme.

3. Report

- 3.1. Morningside Arena is run by Leicester Community Sports Arena Limited (LCSAL), which has a 125 year lease for the land with the City Council. The sole shareholder of LCSAL is Leicester Riders Foundation, a charity. Any surpluses are expected to be reinvested into the Arena and additional facilities.
- 3.2. The development will add an additional 1,200m² to the existing space. Creating a new sports hall with two courts, new/improved car parking and improved access to the arena. The new hall is intended to enable more and larger commercial sporting and other events to take place across the wider site, whilst the additional space will better protect usage by the community, the Riders basketball team and Leicester College students. Larger sporting competitions and gatherings could also be hosted from time to time on the area of the new car park, which could be marked out for sporting purposes.
- 3.3. The development is expected to contribute to the ongoing financial viability of the arena, by enabling it to hold more commercial and higher profile, longer events therefore generating additional income. The additional space will help to maintain availability of facilities for use by the College and the community during commercial events.
- 3.4. The cost of the development is anticipated to be £2.5m, which is proposed to be funded from a combination of company funds, a loan from the Council and an external donation of £500k from the Ian and Clare Mattioli Charitable Trust.

3.5. The development will assist with bringing larger commercial events to the city. It is envisaged more visitors will be attracted to the city, some of whom will spend money in the surrounding area and stay overnight.

3.6. When considering the loan, the following due diligence was undertaken:

- A review of the cost plan for the development.
- Detailed information of assets available to secure against the loan. More details are provided in the confidential annex.
- External legal advice for the agreement, guarantee and subsidy control.
- A review of the construction and financial documents received as part of the assurance process required prior to releasing funds under the loan.
- An independent technical verification will be obtained on the completion of the project

4. Financial, legal, equalities, climate emergency and other implications

4.1. Financial implications

The proposed loan of £1.52m is expected to be repaid over up to 15 years by the company, on an annuity basis. Interest will be charged at a rate of 5% p.a.

The Council will provide the money either by borrowing itself, or temporarily using its cash balances. In either case, there will be a revenue cost. However, payments from the company are expected to be sufficient to meet these costs and achieve a small surplus.

The terms of the loan will allow early repayment at the company's discretion.

The loan will be made in accordance with the Council's approved Investment Strategy.

There is inevitably a risk that the company will not be able to afford its payments. The security proposed for the loan is discussed in the confidential annex to this report.

4.2. Legal implications

External legal advisors have led on the legal aspects of the proposed transaction, including on the loan agreement, supporting security documents and subsidy control advice.

The Council has powers to provide loans to third parties.

It is considered that the "commercial market operator" principle provides a compliant basis for the loan to be awarded within the current UK subsidy control rules as a non-subsidy. In the event of a finding that the loan is in breach of the subsidy control rules, the Company would be under an obligation to repay the loan to the Council.

The loan agreement will be supported by the security discussed in the confidential annex.

Kevin Carter, Head of Law (Commercial, Property & Planning)

4.3. Equalities implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report seeks approval to loan £1.52m to Leicester Community Sports Arena Ltd. The aim would be for the arena to increase its capacity and make improvements to the existing infrastructure. If approved the project has the opportunity to benefit people accessing the building from a range of protected characteristics, but it is advised that the project is asked to ensure that the build adheres to inclusive design principles to ensure accessibility.

Kalvaran Sandhu, Equalities Manager, ext. 6344

4.4. Climate Emergency implications

Buildings are a significant source of carbon emissions in Leicester. Following Leicester City Council's declaration of a Climate Emergency in 2019, and the council's ambition for the city to reach net zero carbon emissions by 2030, tackling these emissions is a vital part of the council's work. As such, the council should consider any opportunities to encourage Leicester Community Sports Arena Ltd to ensure the facilities are sustainable and energy efficient. The development will also have been required to follow policy CS2 of the Adopted Leicester Core Strategy and relevant Building Regulations as standard.

Aidan Davis, Sustainability Officer, Ext 37 2284

4.5. Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/a

5. Background papers:

Investment Strategy approved by Council 23rd February 2022.

6. Summary of Appendices:

Appendix A provides financial details of the guarantee provided to secure the loan.

The general covering report is not exempt, but the specific details given about the guarantee in Appendix A is exempt. This is because it gives specific information about assets that are protected under the constitution. This is exempt information as defined in Paragraph 3 (*Information relating to the financial or business affairs of any particular person (including the authority holding that information)*) as well as Paragraph 1

(Information relating to any individual) of Schedule 12A of the Local Government Act 1972, as amended.

Appendix A is therefore marked "Not for Publication".

7. Consultations

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

The report is not private, however the appendix is for reasons detailed above.

9. Is this a "key decision"? If so, why?

Yes. Expenditure exceeding £1m is proposed which has not been specifically approved by Council.